

**Yadkin County, North Carolina
May 7, 2010**

YADKIN COUNTY BOARD OF COMMISSIONERS

Gentlemen:

In accordance with the North Carolina General Statutes, I am pleased to submit for your review and consideration the proposed Yadkin County budget for fiscal year 2010-2011. The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act in the amount of \$36,943,974. This represents a 1% decrease from the last fiscal year, while maintaining the current property tax rate of \$0.74 per \$100 of valuation.

Statewide, local governments have been hit hard by the current economic recession. In Yadkin County, sales tax and state revenues have decreased significantly, while property tax collections are down. This budget addresses those economic impacts through: conservative revenue estimates, controlled spending and implementation of no new programs.

This budget is conservative and tight. The managers recommended budget of \$36,943,974 is 4.8% or \$1,846,361 below the requested departmental total of \$38,790,335. Further, this budget represents a 1% or \$362,564 decrease from last years adopted budget of \$37,306,538.

This budget appropriates \$2,128,951 from the General Fund's fund balance to balance the budget. The fund balance appropriation is a 60% or \$799,189 increase from last years adopted appropriation of \$1,329,762. Of the \$2,128,951 allocation, nearly 25% of the appropriated fund balance is for a one time capital expenditure of \$500,000 for the Jonesville Water Plant project.

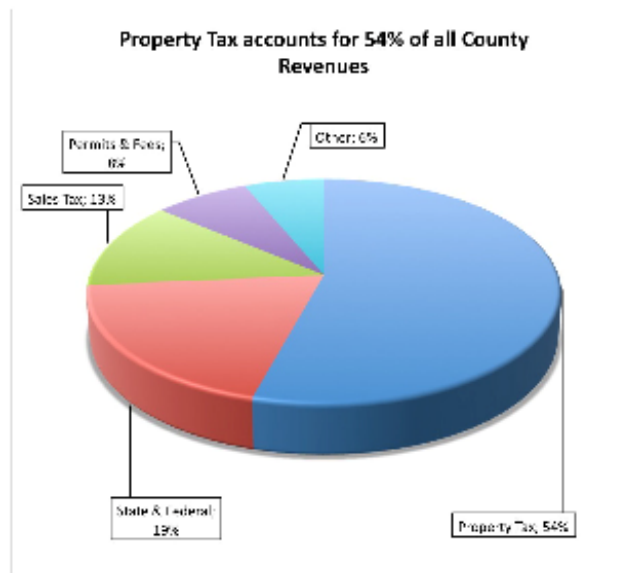
Therefore, only \$1,628,951 of the fund balance will be used to fund reoccurring expenses. However, \$372,231 is appropriated for frozen positions in the budget. If the positions remain frozen throughout the year, only \$1,256,720 of fund balance will be used to fund reoccurring expenses. In essence, if the economy remains flat the budget can be balanced next year with approximately \$1,250,000 in fund balance if the frozen positions need to be eliminated.

REVENUE HIGHLIGHTS

The projected tax base for Fiscal Year 2010/11 is approximately \$2,769,626,577 and includes real property, personal property, and vehicles. This budget maintains the property tax rate of \$0.74 per \$100 of valuation at a 94% collection rate for real and personal property. Along with fees for services and sales tax, the property tax remains the only substantial source of revenue the North Carolina General Assembly allows the Board of Commissioners to control in

order to provide services. This budget projects an overall decrease of 2% in real and personal property revenue for Fiscal Year 2010/11.

Statewide, sales tax numbers have declined, reflecting a significant reduction in retail sales. The change from per capita to point of sale in Article 42 is negatively impacting Yadkin County due to the lack of retail business in the County. The Fiscal Year 2009/10 adopted budget, projected \$5,190,000 in sales tax revenue. Comparatively, this budget conservatively estimates sales tax revenue at \$4,665,000, an overall decrease of 10.1% or \$525,000.¹ I would like to point out, however, that this estimate is a moving target that sensibly attempts to project the unknown.



There will be continued difficulty estimating tax revenue as we have just began to see the result of the new method of distribution. Effective with sales on or after October 1, 2009, Article 42's allocation changed from a per capita to a point of delivery basis, impacting the cash basis proceeds to counties in their January 2010 distribution.

Conservative Budgeting Maintains Service Levels While Revenues Decline

To ease the loss in sales tax revenue in Fiscal Year 2009-2010, administration implemented a spending and hiring freeze that has saved approximately \$300,000. Yadkin County Schools and Surry Community College were not asked to revert any funds back to the county. Targeted cuts affected were frozen positions, capital and equipment purchases and travel expenditures.

While many local governments and schools across the state have had to make more drastic cuts to personnel, education and services, Yadkin County has been able to withstand the recession thus far due in part to the revaluation of property months before the national economic downturn began.

By restricting the use of appropriated funds for personnel and capital over the last several months, the unspent funds will revert to the fund balance at year-end. Bolstering the fund balance during uncertain times may insure that critical services can continue without adding additional tax burden to the citizens.

¹ See Sales Tax Table 1.1 and Sales Tax Chart 1.1.

EXPENDITURE HIGHLIGHTS

In order to mitigate lost property and sales tax revenue the recommended budget drastically reduces operational expenditures of county departments by cutting operations below the 2009-2010 adopted budget. While these cuts are necessary to avoid a reduction in force, the recommended operational expenditures should not be reduced further. Additional cuts to operations in the coming years could cut into

If the Economy does not improve, a reduction in force or tax increase is imminent to maintain a fiscally responsible fund balance.

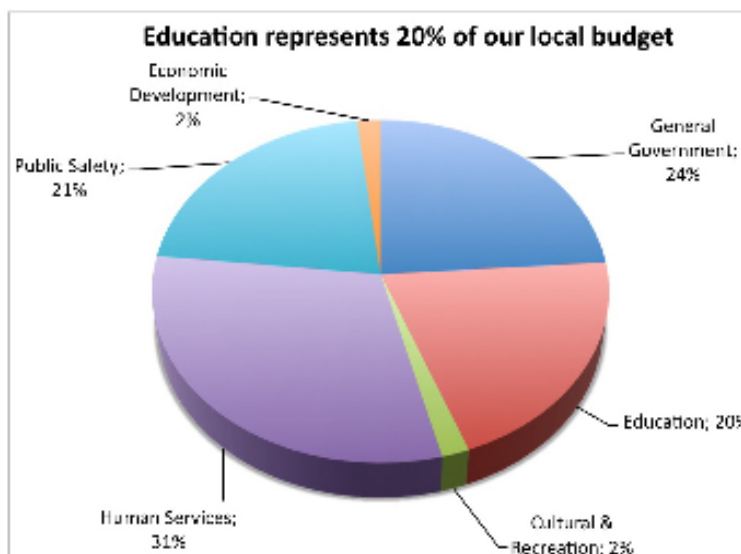
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The recommended budget reduces county departments budgets by 1.2% while increasing community programs, state mandates, capital projects, and debt service by 8.7%.

Education

Education continues to represent 20% of our local budget, with revenues pledged for the instructional costs and capital needs of the Yadkin County school system and Surry Community College satellite building. Although the state is responsible for funding the cost of school operations, the General Assembly does not adequately fund public schools. This budget maintains the schools at their current funding level.



Vehicles

The departments requested fourteen (14) new vehicles in this years budget at a cost of \$447,357 dollars. Only three (3) of the fourteen (14) vehicles are included in this recommended budget, including, one (1) new Sheriffs vehicle and two (2) ambulance remounts at a cost of approximately \$165,000.²

² Vehicles Table 1.2

Technology

This budget recommends continued investment in technology designed to improve staff's ability to deliver service and improve overall efficiency. Departments requested approximately \$130,000 for technology related purchases for FY10-11. The recommended budget appropriates \$90,000 for technology to;

Continued investment in technology improves staff's ability to deliver services and improve overall efficiency.

- (1) Implement a secondary disaster recovery SAN,
- (2) Replace and update our Anti-Virus solutions,
- (3) Convert our Munis financial system database to Microsoft SQL,
- (4) Implement VOIP for the Cooperative Extension department,
- (5) Purchase a content management website from www.govoffice.com and
- (6) Replace PC's as needed.

The Disaster Recovery solution is a critical need to replace an outdated and under-performing legacy backup system. A new Anti-Virus solution is needed to improve overall security and data integrity. The database conversion to Munis is required by our vendor to be completed by 2012. Cooperative Extension did not join the County two years ago during the VOIP Project as the State maintained their phone system at that time. Currently, the County maintains their system and the consolidation will finically benefit the county.

A Content Management Website is used to manage and control a large, dynamic collection of web material. Our Content Management Website will include multi-user, tiered security that allows departments to contribute to the website and manage ONLY their sections of the site. A content management website will enable each department head to provide citizens easy access to public information.

Information Technology received requests for seventeen (17) replacement computers and two (2) printers. Information Technology recommends seven replacements computers.

Miscellaneous Expenditure Reduction

Ten (10) cell phones and three (3) mobile air cards have been terminated for an estimated \$7,000 annual savings.³

Five (5) copier contracts will be terminated due to the recommended reduction and consolidation of copying stations. This termination will result in an estimated annual savings of \$9,000.⁴

³ Cell Phone Reduction Table 1.3

⁴ Copier Contract Table 1.4

PERSONNEL

Cost of Living Increase (COLA)

There is no recommended cost of living increase (COLA) in the proposed budget. However, if the board chooses to include a COLA, the following recommendation would be prudent: A 2% Cost of Living increase effective January 1, 2011 only if the following conditions are met;

- (1) If at least 12 full time positions are frozen effective December 20, 2010, and
- (2) If empirical data illustrates sales tax revenues are stable for at least three months.

This 2% COLA would cost approximately \$100,000 and could be budgeted in the non-departmental COLA line item.

Insurance

We are currently negotiating with several insurers for county paid health insurance. The recommended budget cautiously estimates a 10% increase.

While we have not experienced inflation to date, the cost of healthcare continues to soar. This budget recommends a 20% increase in the county's HRA account contributions. Last year, each employee received a \$500 credit toward health care. This budget recommends a \$600 credit. The increase will cost approximately \$25,000 and is budgeted in the non-departmental HRA contribution line item.

Supplemental Retirement

Currently, each employee (Excluding Law Enforcement who receive a 5% contribution) has the option to receive 1% matching 401K contributions. According to the North Carolina Association of County Commissioners (NCACC) *January 2010 Report*, the average county 401K matching contributions with approximately 84% of the 100 counties reporting was approximately 2.2%.

Although a COLA is not recommended in this years budget, the budget recommendation is that supplemental retirement benefits work toward an increase to the average match of 2.2% by including the increase from 1% to 1.5% for matching 401K contributions this year.

Not all employees participate in the 401K matching benefit, thus creating a surplus on an annual basis. This benefit is budgeted in non-departmental at \$50,000 in the supplemental retirement line item. This recommendation benefits those who are willing to save earnings for self-sufficiency in retirement.

New Positions

Neither of the two new positions requested in this budget were recommended.

<u>Department</u>	<u>Position</u>	<u>Salary & Fringe</u>
Finance	Accounting Technician	\$34,802
Inspections	911 Addressing Technician	\$37,692

Step and Grade

The recommended budget extends the step and grade system to provide steps for employees who are at step 16 or higher. This small increase could be transferred from contingency.

Frozen Positions and Reduction in Force

Through the entire budgetary process, we have not lost sight of the human impact that budget cuts can have on real people with real families. Therefore, this budget recommends that the thirteen (13) frozen positions remain frozen throughout the upcoming budget year. In addition, this budget recommends that all future vacant positions remain frozen unless otherwise approved by the board of commissioners.

One (1) of the thirteen (13) frozen positions is located in the Enterprise Fund, which does not directly impact the General Fund. The twelve (12) remaining

This measure may enable the board to exercise a reduction in force that doesn't reduce positions filled with actual employees in the FY11-12 budget.

positions are located in the General Fund and equate to a cost of \$447,113. Four (4) of the twelve (12) frozen positions are located in Social Services. These positions would be partially funded with state or

federal funds. Therefore, the total amount of actual county dollars of recommended frozen positions equates to \$372,231.

If these positions remain frozen out through the FY10-11 budget, the actual fund balance appropriation used to fund reoccurring expenses would be approximately \$1,300,000. This measure could enable the board to exercise a reduction in force without reducing positions filled with actual employees in the FY11-12 budget.⁵

ORGANIZATIONAL CHANGE

There are several organizational changes recommended in this budget.

Change One – Environmental Health

Environmental Health has two and a half (2.5) environmental health specialists allotted to enforce water regulations. Their duties include; issuing permits,

⁵ Frozen Position Table 1.5

performing inspections, collecting samples and providing consultative services for private drinking water wells and subsurface waste water treatment systems (septic systems). Due to the recession, the demand for new wells and septic systems is down. As a result, environmental health fee revenues have dropped significantly. Therefore this budget temporarily transfers 20 hours of labor a week to the solid waste department to assist with the workload where one position is currently frozen.

This transfer will afford approximately \$20,000 in relief to the Environmental Health budget and the General Fund, whereas the Solid Waste Fund will pay for approximately one half of one of a specialist's salary which remains the same. This arrangement will be monitored throughout the budget year and will be reassessed as economic conditions dictate.

Change Two – Addressing / GIS Administrator

As noted in the personnel section, Inspections requested a new position for an Addressing Technician. The position was originally created in early 2000. In June 2005, the position was located in the Land Records department. In 2007, the position was transferred to Building Inspections and a new position of GIS Administrator was created and located in Information Technology.

The lack of an Addressing Technician has created difficulties for both the County and its citizens. We need to revisit the addresses assigned in the initial conversion that were addressed incorrectly and efforts need to be resumed in the reconciliation process between the permits and the tax systems for addresses.

Many departments depend on accurate addressing information including; Board of Elections, Land Records, Sheriffs Office and Emergency Services.

In response to this request, management formed a committee comprised of four departments including, Tax Administration, Planning and Development, Building Inspections and Information Technology; that deal with addressing issues on a regular basis. The committee was asked to make a recommendation that increased efficiency without expending additional funds to resolve the shortfall in addressing functions.

The committee recommended that the current position of GIS Administrator is best served to function as a component of the Planning and Development Department. The primary reason that addressing is often associated with development services is because the process of assigning addresses and road names is essential to the entire customer service-focused “one-stop shopping” concept that is Central Permitting. From an emergency response standpoint, the ability to establish legitimate addresses and road names on the front end of the development process means that this information can be quickly and accurately entered into the E911 database. As Central Permitting serves as a focal point for developers, addressing should be located under the administrative direction of

Planning and Development.

This budget relocates the cost of GIS to Planning and Development. Management and the HR Consultant are recommending a title change from GIS Administrator to Addressing / GIS Administrator. This change will place a priority on E911 addressing with GIS being a secondary function, until the economy improves. The change in title and department will not change the classification, grade or pay for this position at this time.

Change Three – Parks and Recreation

Parks and Recreation have agreed to assume some of the county's contracted mowing services. This will reduce county expenses. They will begin by mowing four of the EMS stations this summer. Previously contracted mowing was an expense to the EMS budget.

FUNDS AND FUND BALANCES

This budget message highlights the following funds; General Fund, Enterprise Fund, Water and Sewer Fund, Debt Service Fund and Emergency Telephone (E911) Fund.

Each of these fund types has its own specific legal and accounting requirements. Appropriations lapse at year-end in the each fund creating its own fund balance. Fund balance represents monies that remain unspent after all budgeted expenditures have been made. These unspent monies serve as a working capital reserve to pay expenditures in the early part of the fiscal year before taxes are collected.

General Fund

The General Fund is the principal fund used to account for the provision of governmental services. This fund summarizes the financial transactions of functional services, based on departmental operations, except for those transactions that must be accounted for separately in other funds. Fund balance as of June 30, 2009 was \$7,808,728 or 25.5% of the General Fund expenditures for the year according to our unqualified audit. The Local Government Commission recommends that counties maintain a minimum of 8% general fund fund balance.

Enterprise Fund

The recommended FY10-11 budget for the Enterprise Fund is \$1,717,850, representing a 5.6% increase over the FY09-10 budget of \$1,626,630. Of the 5.6% increase, 5% is due to the estimated increase in the transfer disposal fee under contract with Republic Services, Inc. The 0.6% increase is due to health insurance and step increases for employee pay.

This budget recommends freezing one position at an annual cost savings of \$34,220. In addition, this budget recommends that one Environmental Health Specialist work 20 hours a week at the landfill which will result in \$20,000 transfer from the Enterprise Fund to the General Fund creating a surplus of approximately \$14,220. Given this surplus, the actual increase to the Enterprise Fund Budget equates to a 0.3% decrease when excluding the estimated transfer fee.

The FY09-10 disposal fee was \$45.18 per ton plus a two dollar state mandated tipping fee equaling \$47.18. The estimated increase of 5% based on the consumer price index is \$47.44 per ton plus a two dollar state mandated tipping fee equaling \$49.44. The increase will not exceed the \$49.44, however it could range from \$47.19 to \$49.44.

Currently the county charges \$50 a ton at the landfill. This budget recommends a 6% tipping fee increase of \$3 a ton, equaling \$53 a ton. The top five customers are Waste Management, Republic Services, Yadkin Container, Greenhill Environmental Service and the Town of Boonville and they account for 90% of the tipping fees at the landfill.

This tipping fee increase will offset the increase in transfer fees. In addition, this budget is balanced with a fund balance appropriation from the Enterprise Fund balance of \$46,650. As of June 1, 2009 the Enterprise Fund balance was \$234,247.

Water and Sewer Fund

There are thirty-six (36) water customers and eleven (11) sewer customers.

The recommended budget for Water is flat at \$105,700. The projected revenue for water payments is approximately \$10,000, leaving a projected shortfall of \$99,300 in the Water budget. Therefore, this budget recommends an interfund transfer from the general fund of \$99,300.

The recommended budget for Sewer is flat at \$33,100. The projected revenue for the Sewer budget is \$33,100.

The largest five customers for sewer service in FY09-10 were, Lydall, Austin Electrical Enclosures, Hibco Plastics, Inc., J.H. Craver & Son, Inc. and Bridge-Shaffner Company.

Debt Service Fund

According to Finance, there was a rare draw down of ADM and Lottery monies last year due in part to the threat of the state freezing funds. This step created a windfall fund balance in the Debt Service Fund. As of June 1, 2009 there was approximately \$2,916,820 of fund balance in the Debt Service Fund. In general, a debt service fund should not carry a fund balance under normal circumstances.

However, due to the draw down of ADM and Lottery monies and several changes in management in Yadkin County over the last five years we have accumulated this fund balance. The problem is that it may not be feasible to determine if the surplus fund balance is all designated for education. To be safe, this budget recommends that the \$2,916,820 only be appropriated for debt payment on the school infrastructure.

In addition, this budget recommends a fund balance appropriation in the Debt Service Fund of \$972,273 to pay debt for the next three years. This will ensure that all debt service fund balance is appropriated toward educational infrastructure and lessen the impact of the fourth year when the fund balance is zero in the Debt Service Fund following the next revaluation. This should set forth a seamless as possible loss in Debt Service Fund balance appropriation supplemented by an increase in revaluation.

Further, a debt service fund is established to account for the payment of principal and interest on general obligation bonds and notes. Although debt services funds were once common, today they are the exception; and most local governments make debt service out of other funds. Therefore, after the three year depletion of the Debt Service Fund, the county should support debt service on non-enterprise debt through the General Fund.

Emergency Telephone System (E911) Fund

The projected E-911 Revenue recommended in this budget is \$490,100. This includes a E-911 fund balance appropriation of \$260,100. The projected expenditures from the E-911 fund is \$490,100. This includes a one time capital outlay of \$285,000 for a new PSAP. The E911 Fund fund balance as of June 31, 2009 was \$651,083.

FIRE DEPARTMENTS TAX RATE

The fire district tax rate will remain the same in all districts with the exclusion of Arlington.

<u>Fire Department</u>	<u>Current Rate</u>	<u>Requested Rate</u>	<u>Recommended Rate</u>
Arlington	0.0775	0.08	0.08
Boonville	0.0675	0.0675	0.0675
Buck Shoals	0.05	0.05	0.05
Courtney	0.08	0.08	0.08
East Bend	0.0675	0.0675	0.0675
Fall Creek	0.06	0.06	0.06
Forbush	0.065	0.065	0.065
Lone Hickory	0.0750	0.0750	0.0750
West Yadkin	0.0875	0.0875	0.0875
Yadkinville	0.0650	0.0650	0.0650

CONCLUSION

The attached tables, graphs, revenue summary, expenditure summary, and the line item budget is recommended for your review and approval as a balanced budget.

For their supportive efforts, I would like to acknowledge the department heads, as well as other county employees who have worked hard to preserve county services while reducing operational cost. Specifically, Interim County Manager Jim Haynes, Finance Officer Sheron Church, Assistant Finance Officer Dina Reavis and Information Technology Director Josh Arnder have played an instrumental role in developing and preparing this budget.

This budget is presented during one of the most difficult economic conditions since the Great Depression. Revenue estimates are cautious and the best projection that can be made at this point in time. I am committed to monitoring the budget during the FY10-11 to adjust for any changes. The staff and I look forward to working with current and incoming commissioners over the next several years.

Thank you for your consideration of the proposed budget.

Respectfully Submitted,

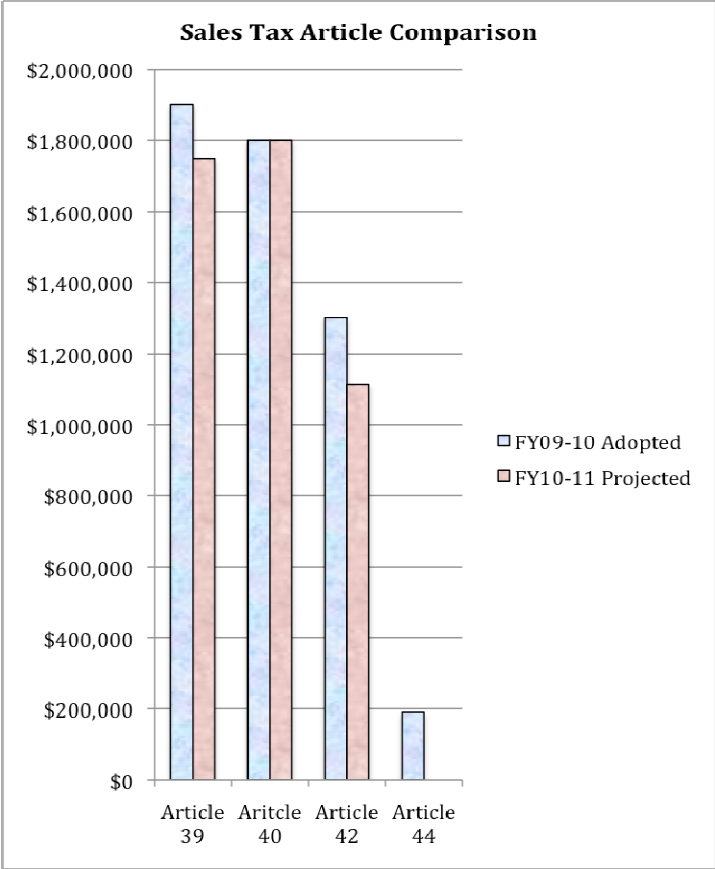
Aaron Church

Aaron Church
Deputy County Manager

Sales Tax
Table 1.1

	FY09-10	FY10-11	Difference	Percent
Article 39	\$1,900,000	\$1,750,000	-\$150,000	-7.9%
Aritcle 40	\$1,800,000	\$1,800,000	\$0	0.0%
Article 42	\$1,300,000	\$1,115,000	-\$185,000	-14.2%
				-
Article 44	\$190,000	\$0	-\$190,000	100.0%
TOTAL	\$5,190,000	\$4,665,000	-\$525,000	-10.1%

Sales Tax
Chart 1.1



Vehicles
Table 1.2

<u>Department</u>	<u># of Vehicles Requested</u>	<u># of Vehicles Rec.</u>	<u>Type of Vehicles</u>	<u>Cost of Vehicles</u>	<u>Manager Rec.</u>
Animal Control	1	0	2010 Ford Ranger	\$18,057	\$0
Building Inspections	1	0	2010 Ford Focus	\$14,500	\$0
Health	2	0	4x4 truck & car	\$35,000	\$0
DSS	2	0	Full Sizes	\$45,000	\$0
EMS	3	2	Ambulances & QRV	\$194,800	\$135,000
Sheriff	5	1	Crown Victoria	\$140,000	\$30,000
TOTAL	14	3		\$447,357	\$165,000

Cell Phone Reduction
Table 1.3

CELL PHONE REDUCTION Yadkin County FY10-11 Budget			
Department	Description	Monthly Savings	Yearly Savings
Governing Body	1 Cell Phone	\$40.00	\$480.00
IT	1 Cell Phone	\$55.00	\$660.00
County Manager	1 Cell Phone	\$40.00	\$480.00
County Manager	1 Data Air Card	\$40.00	\$480.00
Animal Control	2 Cell Phones	\$80.00	\$960.00
Park	1 Cell Phone	\$40.00	\$480.00
IT	1 Data Air Card	\$40.00	\$480.00
CO-OP Extension	1 Cell Phone	\$40.00	\$480.00
GIS	1 Cell Phone	\$40.00	\$480.00
BOE	1 Cell Phone	\$40.00	\$480.00
Permits	1 Cell Phone	\$40.00	\$480.00
Tax	1 Data Air Card	\$40.00	\$480.00
TOTAL		\$535.00	\$6,420.00
TOTAL WITH TAX			\$7,190.40

Copier Reduction
Table 1.4

Copier Reduction Yadkin County FY10-11			
Department	Location	Reason	Yearly Savings
Health	Health Dept.	Use Main Copier	\$2,998.00
Health	Envir. Health	Use Building Code	\$1,848.00
Board of Elections	Court House	State	\$1,332.00
Soil and Water	AG Building	Use CO-OP	\$1,464.00
IT/Fire/Solid Waste	Planning and Permits	Use Building Code	\$1,920.00
		Total	\$9,562.00

Frozen Position
Table 1.5

<u>Department</u>		<u>Position</u>	<u>Salary</u>	<u>Fringe</u>	<u>Salary & Fringe</u>	<u>County Cost For Salary & Fringe</u>
GENERAL FUND POSITIONS						
1	Building Inspections	Fire Inspector	\$29,483	\$9,247	\$38,730	\$38,730
2	DSS	Processing Asst IV	\$23,338	\$8,324	\$31,662	\$15,831
3	DSS	Social Worker I	\$28,159	\$8,858	\$37,017	\$18,508
4	DSS	Social Worker II	\$33,960	\$9,918	\$43,878	\$21,939
5	DSS	IMC II	\$28,159	\$9,047	\$37,206	\$18,603
6	EMS	EMT-Paramedic	\$30,914	\$9,461	\$40,375	\$40,375
7	EMS	EMT-Paramedic	\$30,914	\$9,461	\$40,375	\$40,375
8	EMS	EMT-Paramedic	\$30,914	\$9,461	\$40,375	\$40,375
9	Sheriff's Office	Deputy	\$28,159	\$9,048	\$37,207	\$37,207
10	Sheriff's Office	Clerical	\$23,338	\$8,324	\$31,662	\$31,662
11	Sheriff's Office	Telecommunicator	\$25,643	\$8,670	\$34,313	\$34,313
12	Sheriff's Office	Telecommunicator	\$25,643	\$8,670	\$34,313	\$34,313
GENERAL FUND TOTAL			\$338,624	\$108,489	\$447,113	\$372,231
SOLID WASTE FUND POSITION						
13	Solid Waste	SW Utility Worker	\$23,338	\$8,324	\$31,662	\$31,662